

**CITY OF LOGAN**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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## City of Logan

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Jim Ettleman	Mayor	January 2014
Mike Foutch	Council Member	January 2014
Dennis Crum	Council Member	January 2014
Stewart Johnson	Council Member	January 2014
Dee Clark	Council Member	January 2014
Nicholas Lefeber	Council Member	January 2014
Vicki Schroder	City Clerk	Indefinite
Marilyn Keizer	Deputy Clerk	Indefinite
Aaron Rodenburg	Attorney	Indefinite
 <b>(After January 2014)</b>		
Mike Foutch	Mayor	January 2016
Bill Dewitt	Council Member	January 2016
Lori Cohrs	Council Member	January 2018
Jim Ettleman	Council Member	January 2018
Vicki Schroder	City Clerk	Indefinite
Marilyn Keizer	Deputy Clerk	Indefinite
Rick Franck	Attorney	Indefinite



Diane McGrain, CPA  
Jim Menard, CPA

November 24, 2014

### Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Logan, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...



We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Logan as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

#### Other Matters

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Logan's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 26 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued...

November 24, 2014  
City of Logan  
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of City of Logan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Logan's internal control over financial reporting and compliance.

*Schroer & Associates, PC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the City of Logan, we offer readers of the City of Logan's financial statements this narrative overview and analysis of the financial activities of the City of Logan for the fiscal year ending June 30, 2014. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased by 25%, or approximately \$260,000 from fiscal 2013 to fiscal 2014. Operating grants increased approximately \$236,000.
- Disbursements increased 25.6%, or approximately \$238,000 from 2013 to 2014. Community and economic development increased approximately \$139,000, general government increased approximately \$42,000, public works increased approximately \$35,000, and public safety increased approximately \$32,000.
- The City's total cash basis net position increased by approximately \$180,000 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased \$132,000 and the cash basis net position of the business type activities increased by \$48,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water works and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$132,493. The analysis that follows focuses on the changes in cash basis net position.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 103,481	101,130
Operating grants, contributions and restricted interest	500,305	263,898
General receipts:		
Property tax	595,145	574,200
Local option sales tax	95,379	96,781
Grants and contributions not restricted to specific purposes	3,862	2,628
Unrestricted interest on investments	325	330
Total receipts	<u>1,298,497</u>	<u>1,038,967</u>
Disbursements:		
Public safety	241,604	209,156
Public works	225,867	190,698
Health and social services	4,375	4,850
Culture and recreation	213,300	226,190
Community and economic development	170,059	30,609
General government	147,810	105,885
Debt service	162,989	160,377
Total disbursements	<u>1,166,004</u>	<u>927,765</u>
Change in cash basis net position	132,493	111,202
Cash basis net position beginning of year	<u>485,161</u>	<u>373,959</u>
Cash basis net position end of year	<u>\$ 617,654</u>	<u>485,161</u>

The total receipts for governmental activities increased \$259,530. The total cost of all programs and services increased by \$238,239. The significant increase in receipts was due to an increase of \$236,407 in operating grants from the prior year.

The cost of all governmental activities this year was \$1,166,004 compared to \$927,765 last year.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$562,218, due to costs paid by those directly benefited from the programs (\$103,481) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$500,305).



Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 324,273	337,903
Sewer	208,606	212,704
General receipts:		
Unrestricted interest on investments	639	769
Total receipts	<u>533,518</u>	<u>551,376</u>
Disbursements:		
Water	301,233	282,009
Sewer	184,411	150,122
Total disbursements	<u>485,644</u>	<u>432,131</u>
Change in cash basis net position	47,874	119,245
Cash basis net position beginning of year	<u>374,310</u>	<u>255,065</u>
Cash basis net position end of year	<u>\$ 422,184</u>	<u>374,310</u>

Total business type activities receipts for the fiscal year were \$533,518 compared to \$551,376 last year. This decrease was due to less usage. The cash balance increased by \$47,874. Total disbursements for the fiscal year were \$485,644 compared to \$432,131 last year.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Logan completed the year, its governmental funds reported a combined fund balance of \$617,654, an increase of \$132,493 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance at the end of the year was \$254,806, an increase of \$75,366 from the prior year. The increase was due to a donation made of \$83,000 from an estate. Also, not much was done in the way of new projects the last couple of years.
- The Special Revenue, Road Use Tax Fund cash balance at the end of the fiscal year was \$63,556, a decrease of \$1,774 from the prior year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$54,890, from \$165,746 to \$220,636 due to unspent tax receipts.
- The Special Revenue, Housing Fund increased \$2,843 to a cash balance of \$2,025.
- The Debt Service Fund balance was (\$3,269), an increase of \$3,606 from the prior year.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$23,679 to \$306,021. This increase is less than last year due to less receipts and additional spending for improvement projects.
- The Enterprise, Sewer Fund cash balance increased by \$24,195 to \$116,163. This increase is less than year due to repairs to the system.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended one time for a total increase of \$61,000 for disbursements. The City's receipts were \$81,875 more than budgeted due to a large donation from an estate. The City's disbursements were \$105,833 less than budgeted due primarily to CDBG housing projects and a street paving project not completed until the next fiscal year.

## DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$1,942,000 in bonds and other long-term debt, compared to approximately \$2,165,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
General obligation notes	\$ 1,401	1,534
Revenue notes	541	631
	<u>\$ 1,942</u>	<u>2,165</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,401,000 is below its constitutional debt limit of approximately \$3,100,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Logan's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities.

In particular, the City budgeted for additional equipment purchases and improvements in the street and park departments. The City also budgeted to spend estate monies received in 2014 on improvements to the community center.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Winther, City Clerk, 108 West 4<sup>th</sup> Street, Logan, Iowa.

**City of Logan**



**City of Logan**  
**Basic Financial Statements**

City of Logan  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2014

	Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Public safety	\$ 241,604	5,614	4,880	(231,110)	-	(231,110)
Public works	225,867	45,998	154,676	(25,193)	-	(25,193)
Health and social services	4,375	-	-	(4,375)	-	(4,375)
Culture and recreation	213,300	51,569	150,484	(11,247)	-	(11,247)
Community and economic development	170,059	-	172,826	2,767	-	2,767
General government	147,810	300	17,439	(130,071)	-	(130,071)
Debt service	162,989	-	-	(162,989)	-	(162,989)
Total governmental activities	1,166,004	103,481	500,305	(562,218)	-	(562,218)
Business type activities:						
Water	301,233	324,273	-	-	23,040	23,040
Sewer	184,411	208,606	-	-	24,195	24,195
Total business type activities	485,644	532,879	-	-	47,235	47,235
Total	\$ 1,651,648	636,360	500,305	(562,218)	47,235	(514,983)
<b>General Receipts:</b>						
Property tax levied for:						
General purposes				514,722	-	514,722
Debt service				80,423	-	80,423
Local option sales tax				95,379	-	95,379
Grants and contributions not restricted to specific purpose				3,862	-	3,862
Unrestricted interest on investments				325	639	964
Total general receipts				694,711	639	695,350
Change in cash basis net position				132,493	47,874	180,367
Cash basis net position beginning of year				485,161	374,310	859,471
Cash basis net position end of year				\$ 617,654	422,184	1,039,838
<b>Cash Basis Net Position</b>						
Restricted:						
Nonexpendable:						
Library endowment				\$ 50,000	-	50,000
Expendable:						
Streets				63,556	-	63,556
Local option purposes				220,636	-	220,636
Housing				2,025	-	2,025
Other purposes				29,900	-	29,900
Unrestricted				251,537	422,184	673,721
Total cash basis net position				\$ 617,654	422,184	1,039,838

See notes to financial statements.

City of Logan  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2014

	General	Special Revenue			Debt Service	Nonmajor	Total
		Road Use Tax	Local Option Sales Tax	Housing			
Receipts:							
Property tax	\$ 341,926	-	-	-	78,392	96,933	517,251
Other city tax	73,354	-	95,379	-	2,031	2,509	173,273
Licenses and permits	3,728	-	-	-	-	-	3,728
Use of money and property	9,859	-	58	-	-	-	9,917
Intergovernmental	12,845	153,176	-	164,826	-	-	330,847
Charges for service	97,522	-	-	-	-	-	97,522
Special assessments	45	-	-	-	-	-	45
Miscellaneous	165,914	-	-	-	-	-	165,914
Total receipts	705,193	153,176	95,437	164,826	80,423	99,442	1,298,497
Disbursements:							
Operating:							
Public safety	204,166	-	-	-	-	37,438	241,604
Public works	49,986	154,950	-	-	-	20,931	225,867
Health and social services	-	-	4,375	-	-	-	4,375
Culture and recreation	201,228	-	-	-	-	12,072	213,300
Community and economic development	503	-	-	169,556	-	-	170,059
General government	125,019	-	-	-	-	22,791	147,810
Debt service	-	-	-	-	162,989	-	162,989
Total disbursements	580,902	154,950	4,375	169,556	162,989	93,232	1,166,004
Excess (deficiency) of receipts over (under) disbursements	124,291	(1,774)	91,062	(4,730)	(82,566)	6,210	132,493
Other financing sources (uses):							
Operating transfers in	8,648	-	-	7,573	86,172	-	102,393
Operating transfers out	(57,573)	-	(36,172)	-	-	(8,648)	(102,393)
Total other financing sources (uses)	(48,925)	-	(36,172)	7,573	86,172	(8,648)	-
Change in cash balances	75,366	(1,774)	54,890	2,843	3,606	(2,438)	132,493
Cash balances beginning of year	179,440	65,330	165,746	(818)	(6,875)	82,338	485,161
Cash balances end of year	\$ 254,806	63,556	220,636	2,025	(3,269)	79,900	617,654
<b>Cash Basis Fund Balances</b>							
Nonspendable							
Library endowment	\$ -	-	-	-	-	50,000	50,000
Restricted for:							
Streets	-	63,556	-	-	-	-	63,556
Local option purposes	-	-	220,636	-	-	-	220,636
Housing	-	-	-	2,025	-	-	2,025
Other purposes	-	-	-	-	-	29,900	29,900
Unassigned	254,806	-	-	-	(3,269)	-	251,537
Total cash basis fund balances	\$ 254,806	63,556	220,636	2,025	(3,269)	79,900	617,654

See notes to financial statements.

City of Logan  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 298,449	205,503	503,952
Miscellaneous	<u>25,824</u>	<u>3,103</u>	<u>28,927</u>
Total operating receipts	<u>324,273</u>	<u>208,606</u>	<u>532,879</u>
Operating disbursements:			
Business type activities	<u>274,834</u>	<u>108,503</u>	<u>383,337</u>
Excess of operating receipts over operating disbursements	49,439	100,103	149,542
Non-operating receipts (disbursements):			
Interest on investments	639	-	639
Debt service	<u>(26,399)</u>	<u>(75,908)</u>	<u>(102,307)</u>
Total non-operating receipts (disbursements)	<u>(25,760)</u>	<u>(75,908)</u>	<u>(101,668)</u>
Change in cash balances	23,679	24,195	47,874
Cash balances beginning of year	<u>282,342</u>	<u>91,968</u>	<u>374,310</u>
Cash balances end of year	\$ <u><u>306,021</u></u>	<u><u>116,163</u></u>	<u><u>422,184</u></u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ <u><u>306,021</u></u>	<u><u>116,163</u></u>	<u><u>422,184</u></u>

See notes to financial statements.

City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies**

The City of Logan is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Logan has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill, and Logan Fire and Rescue.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection of local option sales taxes to be spent for infrastructure, including, but not limited to, streets, sewer, water, and community betterment.



City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

Special Revenue - Continued:

The Housing Fund is used to account for grant proceeds to be used for the rehabilitation of single family housing units.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the general government, debt service, and business type activities functions.

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable in two installments on September 30, 2013 and March 31, 2014, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,039,838 at June 30, 2014.



City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (2) Cash and Pooled Investments - Continued**

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**NOTE (3) Notes Payable**

Annual debt service requirements to maturity of general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 135,938	26,746	68,000	9,468	203,938	36,214
2016	138,989	23,826	71,000	8,278	209,989	32,104
2017	129,557	20,825	74,000	7,035	203,557	27,860
2018	132,036	18,346	77,000	5,740	209,036	24,086
2019	134,561	15,821	80,000	4,393	214,561	20,214
2020-2024	660,156	39,960	171,000	4,514	831,156	44,474
2025	69,663	789	-	-	69,663	789
	<u>\$ 1,400,900</u>	<u>146,313</u>	<u>541,000</u>	<u>39,428</u>	<u>1,941,900</u>	<u>185,741</u>

Interest costs paid during the year ended June 30, 2014 totaled \$41,347.

The Code of Iowa requires that principal and interest on general obligation notes be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,100,000 which was not exceeded during the year ended June 30, 2014.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,210,000 of sewer revenue notes issued in July 2001. Proceeds from the notes provided financing for the construction of improvements to the sewer lagoon. The notes are payable solely from sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 70% of net receipts. The total principal and interest remaining to be paid on the notes is \$580,428. For the current year, principal and interest paid and total customer net receipts were \$75,605 and \$100,103, respectively.

City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (3) Notes Payable - Continued**

Revenue Notes - Continued

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

**NOTE (4) Lease Agreement**

In April 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of accessing and establishing water wells on said property for the annual sum of \$2,400 and continuing each year thereafter as long as the well site is being used by the City. Rental expense for the year ended June 30, 2014 was \$2,400.

**NOTE (5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$32,097, \$29,431, and \$28,720, respectively, equal to the required contributions for each year.

**NOTE (6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2014, primarily relating to the General Fund is \$6,882. This liability is computed on rates of pay effective as of June 30, 2014.

City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Employee Benefit	\$ 3,000
	Permanent	
	Library Endowment	<u>5,648</u>
		8,648
Special Revenue		
Housing	General	7,573
Debt Service	General	50,000
	Special Revenue:	
	Local Option Sales Tax	<u>36,172</u>
		<u>86,172</u>
		\$ <u>102,393</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

**NOTE (8) Risk Management**

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (9) Related Party Transactions**

The City has business transactions between City and City officials totaling \$6,685 during the year ended June 30, 2014.

**NOTE (10) Deficit Balance**

The Debt Service Fund had a deficit balance of \$3,269 at June 30, 2014. The deficit will be eliminated by a fund transfer.

**NOTE (11) Commitments**

Cleaning Services Agreement

The City has contracted for cleaning services for \$11,000 for the year ended June 30, 2015.

City of Logan  
Notes to Financial Statements  
June 30, 2014

**NOTE (12) Construction Commitment**

In May 2014, the City approved a street construction contract for \$111,094. No payments were made on the contract.

**NOTE (13) Grants**

On June 28, 2011, the City was awarded a \$383,000 CDBG housing fund program grant from the Iowa Department of Economic Development for the rehabilitation of 10 owner-occupied single family housing units. The City received grant funds of \$164,826 during fiscal year 2014.

**NOTE (14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued a Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## **Other Information**

City of Logan  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 517,251	-	517,251	519,297	519,297	(2,046)
Other city tax	173,273	-	173,273	100,963	100,963	72,310
Licenses and permits	3,728	-	3,728	62,900	62,900	(59,172)
Use of money and property	9,917	639	10,556	11,580	11,580	(1,024)
Intergovernmental	330,847	-	330,847	340,000	340,000	(9,153)
Charges for service	97,522	503,952	601,474	602,400	602,400	(926)
Special assessments	45	-	45	250	250	(205)
Miscellaneous	165,914	28,927	194,841	112,750	112,750	82,091
Total receipts	1,298,497	533,518	1,832,015	1,750,140	1,750,140	81,875
Disbursements						
Public safety	241,604	-	241,604	244,295	250,295	8,691
Public works	225,867	-	225,867	357,110	357,110	131,243
Health and social services	4,375	-	4,375	4,800	4,800	425
Culture and recreation	213,300	-	213,300	252,290	252,290	38,990
Community and economic development	170,059	-	170,059	187,000	207,000	36,941
General government	147,810	-	147,810	110,000	125,000	(22,810)
Debt service	162,989	-	162,989	125,778	125,778	(37,211)
Business type activities	-	485,644	485,644	415,208	435,208	(50,436)
Total disbursements	1,166,004	485,644	1,651,648	1,696,481	1,757,481	105,833
Excess (deficiency) of receipts over (under) disbursements	132,493	47,874	180,367	53,659	(7,341)	187,708
Other financing sources, net:	-	-	-	100	100	(100)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	132,493	47,874	180,367	53,759	(7,241)	187,608
Balances beginning of year	485,161	374,310	859,471	739,811	739,811	119,660
Balances end of year	\$ 617,654	422,184	1,039,838	793,570	732,570	307,268

See accompanying independent auditors' report.

City of Logan  
Notes to Other Information – Budgetary Reporting  
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$61,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the general government, debt service, and business type activities functions.

## **Supplementary Information**



City of Logan  
Schedule of Cash Receipts, Disbursements and Changes in  
Cash Balances – Nonmajor Governmental Funds  
As of and for the year ended June 30, 2014

	Special Revenue Employee Benefits	Permanent Library Endowment	Total
Receipts:			
Property tax	\$ 96,933	-	96,933
Other city tax	2,509	-	2,509
Total receipts	<u>99,442</u>	<u>-</u>	<u>99,442</u>
Disbursements:			
Operating:			
Public safety	37,438	-	37,438
Public works	20,931	-	20,931
Culture and recreation	12,072	-	12,072
General government	22,791	-	22,791
Total disbursements	<u>93,232</u>	<u>-</u>	<u>93,232</u>
Excess of receipts over disbursements	6,210	-	6,210
Other financing uses:			
Operating transfers out:	<u>(3,000)</u>	<u>(5,648)</u>	<u>(8,648)</u>
Change in cash balances	3,210	(5,648)	(2,438)
Cash balances beginning of year	<u>26,690</u>	<u>55,648</u>	<u>82,338</u>
Cash balances end of year	<u>\$ 29,900</u>	<u>50,000</u>	<u>79,900</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable			
Library endowment	\$ -	50,000	50,000
Restricted for other purposes	<u>29,900</u>	<u>-</u>	<u>29,900</u>
Total cash basis fund balances	<u>\$ 29,900</u>	<u>50,000</u>	<u>79,900</u>

See accompanying independent auditors' report.

City of Logan  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
GO aquatic center note	Sept 15, 2008	1.904%	1,500,000	\$ 1,185,215	-	92,089	1,093,126	22,121	-
GO aquatic center note	Feb 19, 2009	1.904%	400,000	315,031	-	30,320	284,711	5,852	-
Truck note	Jul 7, 2010	4.750%	50,000	34,300	-	11,237	23,063	1,470	-
				<u>\$ 1,534,546</u>	<u>-</u>	<u>133,646</u>	<u>1,400,900</u>	<u>29,443</u>	<u>-</u>
Revenue notes:									
Sewer	Jul 10, 2001	1.750%	1,210,000	\$ 606,000	-	65,000	541,000	10,605	-
Water	Feb 1, 2010	5.000%	50,000	25,000	-	25,000	-	1,399	-
				<u>\$ 631,000</u>	<u>-</u>	<u>90,000</u>	<u>541,000</u>	<u>12,004</u>	<u>-</u>

See accompanying independent auditors' report.



City of Logan  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Nine Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Receipts:</b>									
Property and other city taxes	\$ 690,524	670,981	744,612	567,368	559,848	566,030	559,945	542,605	556,726
Tax increment financing collections	-	-	-	85,735	81,675	-	-	-	-
Licenses and permits	3,728	4,299	8,143	6,677	5,556	5,175	6,556	3,622	4,457
Use of money and property	9,917	9,652	11,763	13,032	13,211	16,033	23,677	16,589	17,425
Intergovernmental	330,847	192,142	169,374	418,639	181,180	289,823	149,540	144,177	140,722
Charges for service	97,522	94,452	89,691	143,822	160,864	103,713	108,441	103,137	35,042
Special assessments	45	147	1,037	2,451	1,510	94	728	677	179
Miscellaneous	165,914	67,294	135,876	204,120	117,494	193,914	257,163	186,316	97,326
<b>Total</b>	<b>\$ 1,298,497</b>	<b>1,038,967</b>	<b>1,160,496</b>	<b>1,441,844</b>	<b>1,121,338</b>	<b>1,174,782</b>	<b>1,106,050</b>	<b>997,123</b>	<b>851,877</b>
<b>Disbursements:</b>									
<b>Operating:</b>									
Public safety	\$ 241,604	209,156	217,522	247,421	213,796	192,514	204,532	181,936	207,762
Public works	225,867	190,698	267,952	245,292	233,078	274,346	291,764	208,141	259,961
Health and social services	4,375	4,850	4,670	4,490	4,400	4,350	4,200	4,200	4,000
Culture and recreation	213,300	226,190	217,482	229,792	347,786	135,905	194,703	141,513	122,520
Community and economic development	170,059	30,609	11,343	172	1,382	1,458	2,050	2,736	11,356
General government	147,810	105,885	215,233	111,888	109,258	117,979	109,151	104,123	103,801
Debt service	162,989	160,377	259,819	261,842	244,918	179,484	130,394	128,156	108,429
Capital projects	-	-	-	170,548	516,680	1,964,387	144,385	-	-
<b>Total</b>	<b>\$ 1,166,004</b>	<b>927,765</b>	<b>1,194,021</b>	<b>1,271,445</b>	<b>1,671,298</b>	<b>2,870,423</b>	<b>1,081,179</b>	<b>770,805</b>	<b>817,829</b>

See accompanying independent auditors' report.

**City of Logan**



Diane McGrain, CPA  
Jim Menard, CPA

November 24, 2014

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 24, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Logan's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of City of Logan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Logan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness or a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Logan's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

Continued...

omni business centre  
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council bluffs, iowa 51503  
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City of Logan  
Independent Auditors' Report on  
Internal Control and Compliance and Other Matters

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Logan's Responses to Findings

City of Logan's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Logan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

We would like to acknowledge the many courtesies and assistance extended to us by personnel and the city clerk of the City of Logan during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroer & Associates, PC*



City of Logan  
Schedule of Findings  
Year Ended June 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-14 Segregation of Duties**

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The following functions are performed by the same person:

City – Cash receipts listing, bank deposits, and posting of cash receipts to cash receipts journal.

Library – Cash receipt listing, bank deposits and reconciling, cash disbursements, check writing and reconciling.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged.

**I-B-14 Payroll Transactions**

Comment – We noted no documentation of review and approval of time sheets.

Recommendation – Department Heads should document review of employee time sheets. The Mayor should note review of department head time sheets when signing payroll checks.

Response – We will do this.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



City of Logan  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting:**

II-A-14 Certified Budget

Comment – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government, debt service, and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-14 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 Business Transactions

Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Gary Nordby, Park Board Member, Owner of G & R Nifty	Lawn care, per bid	5,245
Nikki Allen, Park Board Member, Owner of Country Hardware	Supplies	<u>1,440</u>
		<u>\$6,685</u>

City of Logan  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting - Continued:**

II-D-14 Business Transactions – (continued)

The transactions with the employee and the Park Board Member entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa do not appear to represent a conflict of interest. The transactions with the other Park Board Member does not appear to represent a conflict of interest since total transactions with the individual were less than \$2,500 per Chapter 362.5(3)(j) of the Code of Iowa.

II-E-14 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Council Minutes

Comment – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, they did not include a summary of receipts for each month as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should make all required publications including a summary of receipts by month.

Response – We will do this.

Conclusion – Response accepted.

II-G-14 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-14 Revenue Notes

No instances of noncompliance with the revenue note and bond resolutions were noted.

II-I-14 Financial Condition

Comment – At June 30, 2014, the Debt Service Fund had a deficit balance of \$3,269.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the funds to a sound financial condition.

Response – The Debt Service Fund deficit will be eliminated with a fund transfer.

Conclusion – Response accepted.

City of Logan  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting - Continued:**

II-J-14    Disbursements

Comment – The City received the front image only of electronically retained checks.

Recommendation – The City should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – We have contacted the bank to request this and were informed it could not be done.

Conclusion – Response acknowledged.

II-K-14    Excess Balance

Comment – The balances in the Special Revenue Fund, Local Option Sales Tax Account and the Enterprise Fund, Water Account at June 30, 2014 were in excess of each of the fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balance, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The excess balances are considered necessary for the payment of future project costs.

Conclusion – Response accepted.

II-L-14    Sale of Real Property

Comment – In the fiscal year ended June 30, 2012, the City had held a public hearing on the sale of a vacant lot to a council person and determined sale of the lot for \$1,000. However, the receipt of the payment was not found in the City records for fiscal year 2012, 2013 or 2014.

Recommendation – The City should determine whether the disposition was transacted and, if so, collect the payment.

Response – We have requested this payment and it was received in fiscal year 2015.

Conclusion – Response accepted.

City of Logan  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting - Continued:**

II-M-14    Local Option Sales Tax

Comment – The provisions of the ballot authorizing the collection of local option sale tax specify that these receipts are to be spent 100% on infrastructure. During the year, the City used the cash received for mosquito control which appears to be in violation of the ballot provisions.

Recommendation – The City should spend these monies in accordance with the provisions of the ballot.

Response – We will spend the monies in the future on infrastructure only. Mosquito control was deemed “community betterment” and community betterment was part of the language on our ballot. We will use General funds instead of LOST funds for spraying in the future.

Conclusion – Response accepted.